

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 SPC-03 COME-00 EB-11 LAB-06

SIL-01 L-03 H-03 SS-20 NSC-10 DRC-01 /104 W

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R 240651Z JAN 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2405

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E.O. 11652: N/A

TAGS: ECON, ELAB, AS

SUBJ: CABINET ENDORSES QUARTERLY COST OF LIVING

WAGE ADJUSTMENTS

REF: CANBERRA 0410

1. FEDERAL CABINET APPROVED JAN 22 PROPOSAL BY LABOR MINISTER CAMERON TO REINTRODUCE QUARTERLY COST OF LIVING ADJUSTMENTS. GOA WILL ASK CONCILIATION AND ARBITRATION COMMISSION (CAC), WHICH IS SCHEDULED TO BEGIN HEARINGS ON NATIONAL WAGE CASE FEB 19, TO MAKE ADJUSTMENTS TO MINIMUM WAGE BASED ON MOVEMENTS OF A PRICE INDEX. IF ADOPTED BY COMMISSION, PROCEDURE PRESUMABLY WOULD MEAN UNIFORM DOLLAR SUM INCREASES ON ALL AWARD WAGES EQUIVALENT TO PRICE RISE PERCENTAGE OF EXISTING MINIMUM WAGE. THUS WORKERS EARNING MORE THAN MINIMUM WAGE WOULD RECEIVE QUARTERLY PAY ADJUSTMENT SOMEWHAT LESS THAN PRICE INDEX RISE PERCENTAGE OF THEIR ACTUAL WAGE. ACTUAL INDEX TO BE USED NOT SPECIFIED, BUT CAMERON REPORTEDLY FAVORS BASING INCREASES ON PRESENT CONSUMER PRICE INDEX (CPI) SERIES.

2. CAMERON HAS LONG ADVOCATED SUCH A PERIODIC AUTOMATIC WAGE ADJUSTMENT FOR INFLATION, KNOWN IN AUSTRALIA AS
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"INDEXATION". CAMERON CONTENTS THAT SUCH AN AUTOMATIC

SYSTEM WOULD IMPROVE INDUSTRIAL RELATIONS BY ASSURING WORKERS THAT THEY ARE PROTECTED FROM INFLATIONARY EROSION OF THEIR REAL INCOMES. PRESUMABLY, WITH INFLATION AUTOMATICALLY COMPENSATED FOR, ONLY WAGE ARGUMENTS FOR WAGE HIKES WARRANTED BY INCREASES IN PRODUCTIVITY WOULD BE CONSIDERED BY CAC IN THE NATIONAL WAGE CASE. CAMERON CLAIMS THAT ACTU LEADERSHIP HAD INDICATED ACCEPTANCE OF THIS CONCEPT, BUT ACTU PRESIDENT HAWKE DENIED PUBLICLY JANUARY 23 THAT ACTU HAD GIVEN ANY ASSURANCE THAT INDIVIDUAL UNIONS WOULD NOT SEEK ADDITIONAL COMPENSATION FOR PRICE RISES IF QUARTERLY COST OF LIVING ADJUSTMENTS ARE RESTORED. NEVERTHELESS, ACTU PUBLICLY SUPPORTS RESTORATION OF "INDEXATION", WHICH WAS DROPPED BY LIBERAL-COUNTRY PARTY GOA IN 1953 AFTER OVER 30 YEARS OF USAGE BECAUSE OF INFLATIONARY CONDITIONS ACCOMPANYING KOREAN WAS COMMODITY BOOM.

3. PRESS REPORTS THAT DEPUTY OPPOSITION LEADER LYNCH HAS CRITICIZED "INDEXATION" ADJUSTMENTS AS "HIGHLY INFLATIONARY" AND CHARACTERIZED GOA DECISION AS "MAJOR CAPITULATION TO UNION PRESSURE." EDITORIAL IN AUSTRALIAN FINANCIAL REVIEW OF JANUARY 24 QUESTIONS WISDOM OF REINTRODUCING "INDEXATION" ON BASIS IT WOULD CREATE RACHET EFFECT SINCE POLITICAL REALITIES MAKE IT UNLIKELY THAT MONETARY WAGES WOULD EVER BE REDUCED SHOULD PRICE INDEX FALL.

4. EMBASSY COMMENT: CABINET DECISION, WHICH MUST BE RATIFIED BY CAC FOR "INDEXATION" TO BE REINTRODUCED, COMES ON HEELS OF RECENT 3.6 PERCENT CPI RISE FOR OCTOBER-DECEMBER 1973 QUARTER (REFTEL). WITH INFLATION HAVING RISEN 13.2 PERCENT IN LAST 12 MONTHS, GOA SUPPORT OF AUTOMATIC QUARTERLY COST OF LIVING ADJUSTMENTS WOULD APPEAR TO REINFORCE INFLATIONARY PRESSURES, PARTICULARLY IN LIGHT OF HAWKE'S STATEMENT THAT ACTU CANNOT ASSURE THAT UNIONS WILL NOT PRESS FOR COST OF LIVING ADJUSTMENTS OVER AND ABOVE "INDEXATION" COMPENSATIONS. HAWKE TOLD LABATT JANUARY 23 THAT HIS DISAGREEMENT WITH CAMERON WAS BASED ON FACT THAT ACTU CANNOT FORCE ANY UNION TO REFRAIN FROM SEEKING SUCH ADDITIONAL WAGE ADJUSTMENTS, HOWEVER MUCH LIMITED OFFICIAL USE

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HE (HAWKE) MIGHT SUPPORT "INDEXATION".
HARROP

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, CABINET, COST OF LIVING, LAW, PRICE CONTROLS, WAGE CONTROLS, OPPOSITION PARTIES, GOVERNMENT MINISTRIES, NEGOTIATIONS
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Draft Date: 24 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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Type: TE
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